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10 SEP 1968

MEMORANDUM FOR: Comptroller, Directorate of Science and Technology

SUBJECT: Expenditure of Prior Year Funds

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1. During negotiations in late 1964 with [REDACTED] on a life support system development contract, the contractor, the contract negotiators, and the DCAA auditors estimated that a substantial overrun (\$200,000 - \$300,000) would be incurred. ARO could not then accurately determine the extent of the overrun and it was decided to wait until all final costs could be identified and audited before funding. A dispute between [REDACTED] and a subcontractor delayed accumulation of final costs until May 1968, after which the contractor submitted his final claim. DCAA auditors examined the claim and certified an additional \$60,682 as being allowable. 25X1A

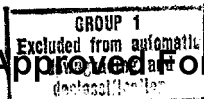
2. This overrun occurred because the contractor was developing a life support system for a relatively unknown environment. Unforeseen technical problems encountered during the R&D phase and changes to the production systems as generated by flight test, brought about costs above original estimates. Because of the time factor involved, it was often necessary for the government technical monitor to issue change orders by telephone, some of which were not immediately incorporated into the contract.

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The cost overrun was incurred in good faith by the contractor with the knowledge and at the direction of the government.

3. Approval is requested for application of available prior year funds to satisfy this requirement.

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[REDACTED]
Comptroller
Office of Special Activities

APPROVED:

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[REDACTED]

CARL E. DUCKETT

13 SEP 1968

Date

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BPD/COMPT/OSA/[REDACTED]:dm (9 Sept 1968)

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